

Bhagwati Trading Company

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.12	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	75.88	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Bhagwati Trading company (BTC) is constrained on account of its leveraged capital structure and moderate debt coverage indicators. Ratings are further constrained by its presence in a highly fragmented and competitive industry with low entry barriers along with thin profitability margins and its nature of constitution as a partnership firm and stretched liquidity.

Ratings, however, derive strength from experienced partners with well-established operational track record in the industry, moderate scale of operations and lower customer and supplier concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in scale of operations to above Rs.300 crore along with improvement in Profit before interest, lease, depreciation and tax (PBILDT) margin above 3%
- Improvement in the liquidity with the low reliance in the external borrowing for funding working capital requirement.

Negative factors

- Deterioration in overall gearing beyond 3.5 times.
- Any significant capital withdrawal impacting overall liquidity of the firm.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the long-term rating reflects CARE Ratings' expectation that the firm will continue to benefit from established track record of partners in the food processing industry.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators

The entity's capital structure stood leveraged, as marked by an overall gearing of 2.93x as on March 31, 2024 (2.47x as on March, 31, 2023) owing to high reliance on external debt. Its debt profile largely comprises working capital debt. Total outside liabilities to net worth also stood high at 3.17x as on March, 31, 2024 (2.93x as on March, 31, 2023).

Debt coverage indicators of the firm stood moderate as marked by moderate PBILDT interest coverage and total debt to PBILDT of 1.11x and 15.83 respectively in FY24 as against 1.27x and 11.07 respectively in FY23.

Presence in a highly fragmented and competitive industry with low entry barriers along with thin profitability margins

The agri-commodity industry is highly fragmented and has presence of large nos. of players. Furthermore, profitability of the firm is inherently exposed to the volatile agri commodity prices, on which firm has no control. BTC's operating profitability exhibited a stable trend however, remained thin owing to low value-added nature of business. Also, with the comparatively high depreciation and interest cost, profit after tax (PAT) margin also stood thin. Consequent to its profitability, gross cash accruals (GCA) also remained thin at Rs.1.01 crore in FY24 (FY23: Rs.1.10 crore).

Partnership nature of constitution

Being a partnership firm, BTC is exposed to inherent risk of partners' capital being withdrawn, and firm being dissolved upon the death/retirement/insolvency of partners which may affect financial flexibility of the firm. During FY24, partners have infused capital of Rs. 7.63 crore, as against withdraw of capital of Rs. 3.59 crore in FY23.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Experienced Partners with well-established operational track record in the industry.

BTC is promoted by Alpesh K. Kesaria and Rekhaben Kesaria, Managing Partners, who look after overall operations. Their extensive overall business experience of more than one and half decade in manufacturing and trading of groundnut and groundnut oil is expected to support the business.

Moderate scale of operations with lower customer and supplier concentration risk

BTC operates on the moderate scale with total operating income (TOI) of Rs.212.96 crore in FY24 (FY23: Rs.220.45 crore). It reported TOI of Rs.207 crore till Dec 27th 2024 and has achieved TOI of Rs. 311.51 crore in FY25.

Going forward, scale of operations is expected to grow further on account of additional capex planned in FY25-FY26. Apart from domestic sales, firm also exports its products to various markets like China, Vietnam etc. Exports contributed to 45% of total sales for FY24 (FY23: 44%).

The customer concentration risk remains low since top 5 domestic customers contributed 8.70% to total revenue in FY24(FY23:12.73%). The supplier concentration risk also remains low since top 5 Suppliers contributed 21.73% of total purchase in FY24 (FY23:17.66%) while 16.39% in FY22.

Liquidity: Stretched

BTC has stretched liquidity marked by negative cash flow from operations and low cash and bank balance as on March 31, 2024. Cash flow from operations was negative at Rs. 33 crore in FY24 and the unencumbered cash and bank balance low was around Rs. 0.29 crore as of March 31, 2024. The current ratio and quick ratio stood at 1.26x and 0.54x respectively as on March 31, 2024. With thin profitability, GCA remained modest at Rs. 1.01 crore for FY24. Further, the firm is envisaged to generate GCA of around Rs. 1.2- Rs. 1.7 crore for FY25-FY27 as against scheduled repayment of Rs. 0.25-0.50 crore for the said period.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the firm and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Rajkot (Gujarat) based Bhagwati Trading Company (BTC), was established in 2007 as a partnership firm by Mr. Alpesh K. Kesaria and Ms. Rekhaben Kesaria. BTC is engaged into trading and manufacturing of groundnut seeds and groundnut oil etc. The manufacturing facility is located in Kuvadava, Rajkot, Gujarat. Presently, it has an installed capacity of 200 tonne for groundnut seeds production and 100 tonne for groundnut oil production per day. Apart from domestic sales, company also exports to various markets like China, Vietnam etc. Exports contributed to 45% of total sales for FY24 (FY23: 44%).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	220.45	212.96	206.00
PBILDT	2.17	3.31	6.42
PAT	0.68	0.56	NA
Overall gearing (times)	2.47	2.93	NA
Interest coverage (times)	1.27	1.11	1.70

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not available

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-LT/ST	-	-	-	-	75.88	CARE BB-; Stable / CARE A4
Term Loan-Long Term	-	-	-	Mar 2026	2.12	CARE BB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-LT/ST	LT/ST	75.88	CARE BB-; Stable / CARE A4	-	-	-	-
2	Term Loan-Long Term	LT	2.12	CARE BB-; Stable	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-LT/ST	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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